

Press Release**Shah Nanji Nagasi Exports Private Limited****December 26, 2018****Rating**

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Packing Credit / Cash Credit	70.00	IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook)	Assigned
Total	70.00		

Details of Facilities are in Annexure 1**Detailed Rationale**

The aforesaid rating derives comfort from its experienced promoters, diversified product portfolio, reputed clientele and supplier profile. However, the rating is constrained by moderate profitability, high gearing, intense competition and exposure to government policies. Growth and profitability, gearing level and working capital management are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description**Key Rating Strengths****Experienced promoters**

The company has presence of over nine decades and has established itself well in trading of Agro-commodities. The current Director of the company, Mr. Sudhir Shah and his son, Mr. Ashwin Shah are in this business for over four and two decades respectively. The directors are ably supported by a team of qualified and experienced professionals.

Diversified product portfolio

SNNEPL is engaged in export trading of non basmati rice, corn starch, oil seeds and other food grains. The company is also engaged in import of popcorn and selling it in local market under its brand. Thus, the company is able to cater to different type of customers.

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Established clientele and supplier base

SNNEPL has a strong marketing network and sells its products in different regions of the country throughout the year. Further, SNNEPL's overseas market constitutes USA, Middle East and Europe. The top 10 clients accounted for 35.97% of total sales in FY18 indicating a diversified customer base. Company also has a wide supplier base with long term business relation. The top 10 suppliers accounted for 27.17% of raw material purchases in FY18 indicating less dependence on any particular supplier.

Key Rating Weaknesses

Moderation in profitability in the recent past

The EBIDTA margin deteriorated from 2.58% in FY17 to 2.17% in FY18 on account of price volatility in agro commodities arising out of fragmented nature of operations. Further, in FY18, there was a decline in sale due to ban on import of pulses in FY18. Since pulses accounted for 10-20% of the company's total revenue, overall profitability of the company was impacted. PBT margin and PAT margin generally follows the trend of EBITDA margin and the same also declined in FY18 as compared to FY17.

High gearing levels

The company's debt profile consists of short term unsecured loans and working capital limits. The decline in profitability in FY18 impacted the debt protection parameters with interest coverage of 1.35x (1.68x in FY17). The capital structure is stretched with overall gearing of 3.84x (2.56x in FY17).

Intense competition in Food Processing Industry and high volatility in agro commodities

The food processing industry is characterised by stiff competition from presence of large unorganised players. This puts pressure on the margins of the organised players. The raw materials which consist of 85% of the total cost are susceptible to fluctuations in production due to vagaries of nature (monsoon).

Exposure to government policies

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SNNEPL, like other players in the agro-commodity business, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty, restriction on import of pulses etc.

Analytical Approach & Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The company's debt profile consists of short term unsecured loans and working capital limits. The capital structure is stretched with overall gearing of 3.84x (2.56x in FY17). The cash DSCR appears to be stretched during the projected period on account of repayment of short term unsecured loans. However, the same will stabilise over the period, when the debt reduces. The company expects higher cash accruals in the projected period to meet its debt obligations.

About the Company

Shah Nanji Nagsi Exports Private Limited (SNNEPL) was incorporated in November 1919 as a proprietorship concern by Late Mr. Nagsi Hirji Shah at Anaz Bazar, Itwari, Nagpur, Maharashtra, India. The firm was reconstituted as a private limited company on May 20, 1997. SNNEPL commenced exports in the year 1991 and is currently, a Two Star Export House recognized by the Government of India. The company procures rice from rice millers in India, manufacture/process the same through sortex machines as per its brand quality or requirement of customers, pack under brand name and sell in international market. Similarly, company procures pulses, popcorn, etc from international market and sell in local market under its brand. SNNEPL has 4 brands of rice - Nanji's, Shah, Chop & Chop and Zainab. The company is also in the process of selling its Pop Corn in both wholesale and retail packing. Pop Corn is sold in the retail market under the brand name of "POP UP". SNNEPL is currently managed by Mr. Sudhir Shah, Mr. Ashwin Shah, Mr. Javan Shah, Ms. Snehal Modi and Mr Rajesh Chedda in the capacity of directors of the company.

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Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	342.35	372.25
EBITDA	8.84	8.09
PAT	2.12	0.92
Total Debt	45.51	71.63
Tangible Net worth	17.78	18.64
EBITDA Margin (%)	2.58	2.17
PAT Margin (%)	0.62	0.25
Overall Gearing Ratio (x)	2.56	3.84

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Packing Credit / Cash Credit	Long Term	70	IVR BB+ / Stable Outlook	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Packing Credit / Cash Credit	-	-	-	70.00	IVR BB+ / Stable Outlook